



WASHINGTON STATE  
HOUSING FINANCE COMMISSION

REG-114084-04

September 7, 2007

SEP 18 2007

Karen Miller  
Chair

Mr. Kim Herman  
Executive Director

Internal Revenue Service  
CC:PA:LPD:PR (REG-114084-04)  
Room 5203  
P.O. Box 7604  
Ben Franklin Station,  
Washington D.C., 20044

LEGAL PROCESSING DIVISION  
PUBLICATION & REGULATIONS  
BRANCH

RE: Washington State Housing Finance Commission Comments to Proposed Section 42  
Qualified Provisions, RIN 1545-BC20

To Whom It May Concern:

The Washington State Housing Finance Commission (WSHFC) is the allocating agency for low income tax credits in the State of Washington. I have read the proposed changes to the Section 42 Qualified Contract Provisions proposed by the Internal Revenue Service in its Notice of Proposed Rulemaking dated June 19, 2007, regarding methods of determining the Qualified Contract Price (QCP) and make the following comments:

1. **Whether low income buildings are ever sold without the underlying land?**

WSHFC has no knowledge of any sale of a low income building without the land. Any appraised value of a Section 42 restricted property must therefore include the value of underlying land and the appraisal must consider restrictions to buildings on the property when valuing the land and buildings. It is also important that appraisers be appropriately certified and approved by the state agency. Appraisers who have been banned by HUD or other federal agencies (and remain so) should not be permitted to provide QCP appraisals.

2. **The treatment of leased land and the prevalence of leased land in low-income housing credit transactions.**

In Washington, leased land projects are restricted to tax credit development on Indian Trust Lands and developments in which a local government entity is the landowner. In such cases there is little or no incentive for exercising qualified contract rights under the Code.

3. **Examples of forms of cash distributions from or available for distribution from the project that should or should not be included in the regulatory definition.**

WSHFC supports the language of the proposed regulation—the definition of cash distribution to owners and related parties should be as broad as possible and no exclusions should be enumerated.



4. **Whether low-income housing is owned by other than a corporation or partnership. . . and if so, what rules should apply for determining the amount of cash distributions from the project.**

WSHFC is unaware of any current instances where a Section 42 restricted property and its buildings are not owned by a partnership, limited liability company or corporation.

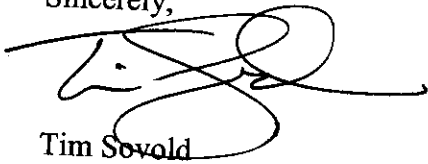
5. **Administrative Discretion of Agency.**

WSHFC supports the current language allowing agencies to exercise administrative discretion necessary to ensure integrity of the regulation and accurate QCP.

6. **The authority of the allocating agency to require in agreements a fair market value cap that would restrict any qualified contract price to fair market value.**

WSHFC believes that it would advance the public interest for the IRS to restrict the qualified contract price to fair market value by using "do not manipulate" language in proposed section 1.42-18(c). If language can not be amended, the IRS should at a minimum clarify the legislative history of QCP to determine whether congress ever intended that a QCP should exceed FMV.

Sincerely,



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